

Q: What is the Exchange/Sale Authority?

A: If an agency has personal property that needs to be replaced, it can exchange or sell that property and apply the exchange allowance or sales proceeds to the acquisition of similar replacement property to reduce the agencies' need for additional funding for the acquisition of replacement personal property.

The Exchange or Sale of non-excess personal property is provided for under 40 U.S.C. 481(C) (reference (ccc)) and the FPM 102-39. The authorization to exercise the Exchange/Sale Authority for all DOD components is provided for within the DOD Material Management Regulation DOD 4140.1-R Chapter 6.

Q: What is non-excess?

A: Item/s whereas the quantity of an item of Military Service/Defense Agency owned property that is required for its needs and the discharge of its responsibilities as determined by the head of the Service/Agency. Property that is still needed but no longer adequately performs all the tasks for which it is used.

Q: What is meant by "acquisition of similar replacement property"?

A: Under the Exchange/Sale authority an obsolete item can either be exchanged or sold and the credit or proceeds from the sale is used towards the purchase of the replacement inventory that is similar in purpose or fall within the same Federal Supply Classification (FSC) group.

Q: What are the guidelines to follow for property to qualify for the Exchange/Sale Authority?

A: When estimating the return under each method, all administrative and overhead costs will be considered. If the exchange allowances or estimated sales proceeds for property would be unreasonably low, property should be turned in for disposal in accordance with supply policies.

B: The following FSC groups of personal property are prohibited from use under the exchange/sale authority:

- 10 Weapons.
- 11 Nuclear ordnance.
- 12 Fire control equipment.
- 14 Guided missiles.

- 15 Aircraft and airframe structural components (except FSC Class 1560 Airframe Structural Components).
- 42 Firefighting, rescue, and safety equipment.
- 44 Nuclear reactors (FSC Class 4472 only).
- 51 Hand tools.
- 54 Prefabricated structure and scaffolding.
- 68 Chemicals and chemical products, except medicinal chemicals.
- 84 Clothing, individual equipment, and insignia.

Note to section 102-39.45

(a): The exception to the prohibition is Department of Defense (DOD) property in FSC Groups 10, 12, and 14 (except FSC Class 1005) for which the applicable DOD demilitarization requirements, and any other applicable regulations and statutes are met.

(b) Materials in the National Defense Stockpile (50 U.S.C. 98-98h) or the Defense Production Act inventory (50 U.S.C. App. 2093).

(c) Nuclear Regulatory Commission-controlled materials unless you meet the requirements of section 101-42.1102-4 of this title.

(d) Controlled substances, unless you meet the requirements of section 101-42.1102-3 of this title.

(e) Scrap materials, except in the case of scrap gold for fine gold.

(f) Property that was originally acquired as excess or forfeited property or from another source other than new procurement, unless such property has been in official use by the acquiring agency for at least 1 year. You may exchange or sell forfeited property in official use for less than 1 year if the head of your agency determines that a continuing valid requirement exists, but the specific item in use no longer meets that requirement, and that exchange or sale meets all other requirements of this part.

(g) Property that is dangerous to public health or safety without first rendering such property innocuous or providing for adequate safeguards as part of the exchange/sale.

(h) Combat material without demilitarizing it or obtaining a demilitarization waiver or other necessary clearances from the Department of Defense Demilitarization Office.

(i) Flight Safety Critical Aircraft Parts unless you meet the provisions of section 101-37.610 of this title.

(j) Acquisition of unauthorized replacement property.

(k) Acquisition of replacement property that violates any:

- (1) Restriction on procurement of a commodity or commodities;
- (2) Replacement policy or standard prescribed by the President, the Congress, or the Administrator of General Services; or
- (3) Contractual obligation.

(l) Vessels subject to 40 U.S.C. 484(i).

Q: What are the sales methods?

A. You must use the methods, terms, and conditions of sale, and the forms prescribed in section 101-45.304 of this title in the sale of property being replaced, except for the provisions of section 101-45.304-2(a) of this title regarding negotiated sales. Section 3709, Revised Statutes (41 U.S.C. 5), specifies the following conditions under which property being replaced can be sold by negotiation, subject to obtaining such competition as is feasible:

- (1) The reasonable value involved in the contract does not exceed \$500; or
- (2) Otherwise authorized by law.

B. You may sell property being replaced by negotiation at fixed prices in accordance with the provisions of section 101-45.304-2(b) of this title.

Q: What about the accounting?

A: Except as otherwise authorized by law, proceeds from the sale of nonexcess property must be accounted for in accordance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Procedures, Section 5.5D. Guidance on policy and procedures to be followed for collecting funds can be found in the DoD Financial Management Regulation, Volume 5, Chapter 10.

You must account for sales proceeds in accordance with the general finance and accounting rules applicable to you. Except as otherwise directed by law, all proceeds from the sale of personal property under this part will be available during the fiscal year in which the property was sold and for one fiscal year thereafter for obligation for the purchase of replacement property. Any sales proceeds not applied to replacement purchases during this time must be deposited in the United States Treasury as miscellaneous receipts.

Q: What about DRMS, don't they sell just surplus?

A: For over 25 years DRMS has been selling DoD excess inventory. When the DoD Super Regulation was modified in May 1998 to allow DoD Components to exercise the "sale" portion of the Exchange/Sale Authority DRMS knew that the best advantage to the taxpayer was to offer its' sales expertise to DoD.

DRMS helps the Services avoid the costs associated with creating an infrastructure required (FPMR 101-45) when selling to the general public.

DRMS knows how to work within the DoD system to help your organization make Exchange/Sales a reality, we help get through the clutter involved with "doing something new."

Due to 25 years of selling to the general public, DRMS provides the following assets:

- Expertise in the sale of Defense/Military property.
- Property is sold using all applicable sales terms and conditions that protect the government and the general public.
- Expertise in providing quality assurance oversight in the areas of sales of MLI/CCLI, Hazardous Materials, and DEMIL required property.
- Staff of trained Sales contracting Officers (SCOs) that provide complete contract administration.
- Legal staff that specializes in sales contracts disputes, claims, and resolutions.
- Each sale is customized to the Services needs.
- Established sales customer base for all military commodities yielding highly competitive sales prices.
- Multi-award winning Web Site that experiences over 4 million hits a month, making it one of the most visited business-to-business sites on the Web.
- Direct marketing campaigns to buyers in order to target markets.
- Trade journal advertising.